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PACIFIC PETROLEUMS LTD.

1975 ANNUAL REPORT



PACIFIC PETROLEUMS LTD. and Subsidiary Companies

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Cover Picture

The first of almost 300 Canadian built pump jacks to be installed in Pacific's Kinsella oilfield is photographed near dusk on a wintry day.

Annual General Meeting

The Annual General Meeting of the Shareholders of Pacific Petroleum Ltd. will be held in the Auditorium, main floor, Pacific 66 Plaza, 700 - 6th Avenue S.W., Calgary, Alberta, Canada, at 10:00 a.m. on April 13, 1976. Notice of the Meeting and proxy forms are being mailed with this Report.

Company Profile

Pacific Petroleum Ltd. is a Canadian petroleum company, based in Calgary, Alberta. The firm concentrates its business operations in Canada, and has extensive assets in crude oil and natural gas reserves, production facilities, exploratory lands, manufacturing and marketing facilities, and other investments.

Pacific began operations as a petroleum exploration company almost 40 years ago in the Turner Valley oilfields of Southern Alberta. During the period 1957 to 1963, Pacific acquired the Merrill Petroleum and Bailey Selburn companies and purchased the Canadian assets of Phillips Petroleum Company and Sunray Oil Company. The Company has grown steadily as a result of an aggressive program of exploration and development and further acquisition of oil and gas producing properties.

Exploration efforts are centred primarily in the sedimentary basins of Western and Northern Canada. Pacific is a producer of crude oil and natural gas from most of the producing areas in Alberta and northeastern British Columbia.

Pacific today is one of the most active of the companies searching for new reserves of crude oil and natural gas in Canada and ranks as one of Canada's leading producers of natural gas, crude oil and natural gas liquids.

The Company owns and operates a petroleum refinery at Taylor, in northeastern British Columbia, and a natural gas liquids extraction plant at Empress, near the Alberta-Saskatchewan border in southeastern Alberta. The Company also owns varying interests in more than 30 other natural gas processing plants in Western Canada.

The Company has 453 retail and wholesale outlets for its petroleum products, identified by the *Pacific 66* shield. The marketing system serves customers in Western Canada from Vancouver Island to the Great Lakes, and as far north as the sparsely settled southern fringe of the Yukon and Northwest Territories.

At year end the Company had over 30,000 shareholders holding 21.3 million shares. The largest block, comprising 10.3 million shares, or 48.4 per cent of the shares outstanding, is owned by the Phillips Petroleum Company of Bartlesville, Oklahoma. Over 6,000 Canadian shareholders own more than five million shares.

More than 1,000 Canadians are directly employed in a wide variety of activities which support this fully-integrated petroleum company. The Company is managed by Canadians who gained their experience in the Canadian petroleum industry.

The Year in Brief

Financial

	1975	Increase Over 1974
Total Revenue	\$301,490,000	23%
Cash Generated	95,777,000	11%
Per Share	4.49	
Net Earnings Before Income		
Taxes	101,061,000	23%
Per Share	4.74	
Net Earnings	57,267,000	26%
Per Share	2.68	
Cash Dividends	17,069,000	7%
Per Share	.80	
Capital Expenditures	75,088,000	53%

Operating

Daily Production

Crude Oil and Liquids (barrels) . .	52,050
Natural Gas (millions of cubic feet)	480

Sales

Gasoline and Distillates (gallons) .	290,000,000
Natural Gas Liquids (gallons) . .	318,000,000

Company Holdings

Reserves

Crude Oil and Natural Gas Liquids	179 million barrels
Natural Gas	3.2 trillion cubic feet
Sulphur	2.4 million long tons
Land	(22,259,124 gross acres) 9,548,000 net acres

Plants

	Rated Capacity
Empress Plant	25,000 bbls/d
Taylor Refinery	19,000 bbls/d

Marketing Outlets

453

Pipelines

	Interest
Petroleum Transmission Company	100%
Westcoast Transmission Company Limited	34.6%
Pacific Northern Gas Ltd.	25%

Plastics

Midland Industries Limited (plant at Midland, Ontario)	100%
Pacific Petroleums (Quebec) Ltd.	100%



L. Merrill Rasmussen,
President and
Chief Executive Officer



A. M. McIntosh,
Executive Vice President



R. F. Buchanan,
Vice President — Finance



V. G. Sundstrom,
Vice President — Marketing



W. H. Tye,
Senior Vice President



G. W. Lade,
Vice President, Secretary
and General Counsel

Report to the Shareholders

The operations of Pacific Petroleum Ltd. in 1975 were highlighted by record earnings and capital expenditures; the acquisition and initial development of an oilfield in east-central Alberta; and a successful venture into foreign exploration in the Mediterranean and North Seas.

Improving economic conditions for the petroleum industry, combined with Pacific's sound financial performance through 1975, enabled the Company to accelerate its spending on exploration and development. Pacific was one of the most active companies in the drilling of exploration and development wells in Canada, with operations concentrated in the sedimentary basins of Alberta and British Columbia.

Net earnings on 1975 operations totalled \$57.3 million, or \$2.68 per share, compared with \$45.4 million, or \$2.13 per share in 1974. In 1975 the Company provided for income taxes of \$43.8 million, compared with \$36.9 million in 1974. Cash generated from operations was \$95.8 million or \$4.49 per share, compared with \$86.4 million, or \$4.05 per share in 1974. Revenue from all sources totalled \$301.5 million compared with \$244.7 million in 1974.

Dividends to shareholders in 1975 totalled \$17.1 million, or 80 cents per share, compared with \$16 million or 75 cents per share paid in 1974.

Capital expenditures in 1975 totalled \$75.1 million, an increase of \$25.9 million over the amount spent in 1974. Expenditures on acquisitions, exploration programs, development drilling, and production equipment totalled \$65.7 million. Additions to manufacturing and marketing facilities accounted for the remaining \$9.4 million spent in 1975. Of the total, \$29 million was spent on acquisition and development of the Kinsella oilfield in east-central Alberta. The Kinsella field development program was well advanced at year-end with 117 successful oil wells drilled. An additional \$22 million will be spent in 1976 to complete the project.

In October, 1975, the Government of Canada introduced a national anti-inflation program, consisting of restraints on wages, prices, profits, and dividends, affecting most companies in all sectors of the Canadian

economy. Prices of products subject to the program will only be allowed to rise in order to reflect cost increases. Crude oil and natural gas wellhead prices are exempt and will be allowed to rise in accordance with government policy.

Since 1973, when world energy prices began to increase rapidly, federal and provincial agencies in Canada have moved to assert more authority over the control of pricing and marketing in the petroleum industry. Early in 1974, the federal and provincial governments became involved in a dispute over resource industry revenues, causing a slowdown in exploration for crude oil and natural gas. During the second half of 1975, the federal government and the provincial governments modified their positions and moved toward stabilization of taxes, royalties and other charges, providing a measure of reassurance for the petroleum industry.

The federal government has enunciated a policy of allowing Canadian crude oil wellhead prices to rise from the present \$8.00 per barrel to approach world levels by 1978 and for natural gas prices to reach parity with crude oil on an energy equivalent basis. The stabilization of provincial royalties and federal taxes, combined with increasing prices, will permit improved earnings and growth for the company in the immediate future.

In late 1975, Pacific increased its equity in Westcoast Transmission Company Limited, through the purchase of 304,900 additional common shares, bringing its total holdings in that company to 2,954,267 shares at year-end. On February 11, 1976, the Company further increased its interest in Westcoast with the purchase of 751,348 additional common shares. This acquisition raised Pacific's total shareholdings to 3,705,615 common shares, or 34.6 per cent. Westcoast is a major gas transmission company transporting natural gas from fields in British Columbia, Alberta and the Yukon. It is a 20 per cent participant in the Foothills Pipeline Company, which is one of two companies applying to Canada's National Energy Board for permission to build and operate a major natural gas pipeline from the Arctic to markets in Canada and the United States.

The management of Pacific views the future of the Canadian petroleum industry with confidence. The long-range projects for the company include continuing evaluation work in the Athabasca Oil Sands, the Arctic, and the Canadian Eastcoast offshore. The Company is a potential supplier of ethane feedstock from its Empress Plant to a developing petrochemical industry in Alberta.

In November, 1975, Mr. A. M. McIntosh, a Director and Senior Vice President of Pacific, who joined the Company in 1950, was appointed Executive Vice President. In the same month, Mr. R. F. Buchanan, who has had 24 year's experience in the Canadian petroleum industry, joined the company as Vice President-Finance.

The directors and officers of the Company express their sincere appreciation for the contribution of Pacific's employees, and for the support and loyalty of its many customers and shareholders.

FOR THE BOARD OF DIRECTORS



PACIFIC PETROLEUMS LTD.
and Subsidiary Companies

Summary of Operations

5 YEARS ENDED DECEMBER 31, 1975

(In thousands of dollars except per share figures)

	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>
Sales:					
Crude Oil and Field Liquids	\$ 55,924	\$ 53,757	\$ 40,713	\$ 32,997	\$ 31,079
Natural Gas	50,925	36,933	25,271	19,860	16,854
Natural Gas Liquids	58,704	47,913	29,445	26,572	23,228
Refined Oil Products	111,707	80,790	60,168	51,450	38,489
Other	10,780	10,557	8,625	5,415	4,412
Total Sales	<u>288,040</u>	<u>229,950</u>	<u>164,222</u>	<u>136,294</u>	<u>114,062</u>
Other:					
Investment Income	5,364	7,313	4,369	2,892	1,118
Equity in Earnings of Affiliates	8,086	7,476	6,201	5,259	2,000
Total Revenue	<u>301,490</u>	<u>244,739</u>	<u>174,792</u>	<u>144,445</u>	<u>117,180</u>
Expenses:					
Product and Merchandise Purchases	108,504	77,321	53,991	47,608	35,790
Operating and General Expenses . . .	53,629	45,644	39,745	33,658	30,572
Depletion and Depreciation	30,667	31,593	26,048	23,583	19,747
Interest on Long Term Debt	7,629	7,885	8,451	8,398	7,223
Total Expenses	<u>200,429</u>	<u>162,443</u>	<u>128,235</u>	<u>113,247</u>	<u>93,332</u>
Earnings Before Income Taxes	<u>101,061</u>	<u>82,296</u>	<u>46,557</u>	<u>31,198</u>	<u>23,848</u>
Income Taxes:					
Provision for Taxes Payable	33,074	24,444	744	656	683
Provision for Future Taxes	10,720	12,457	15,625	9,600	8,300
Total Income Taxes	<u>43,794</u>	<u>36,901</u>	<u>16,369</u>	<u>10,256</u>	<u>8,983</u>
Net Earnings	<u>\$ 57,267</u>	<u>\$ 45,395</u>	<u>\$ 30,188</u>	<u>\$ 20,942</u>	<u>\$ 14,865</u>
Earnings Per Share — Basic	\$ 2.68	\$ 2.13	\$ 1.42	\$.98	\$.70
— Fully Diluted	2.56	2.05	1.39	.98	.70
Dividends Per Share	.80	.75	.60	.50	.40

Price Range of Shares

The following are the price ranges of the common shares of Pacific Petroleum Ltd. on the Toronto and New York Stock Exchanges during 1974 and 1975.

	YEAR	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
		High	Low	High	Low	High	Low	High	Low
TORONTO STOCK EXCHANGE	1974	34¾	29½	30¾	18	21¼	13¾	19¼	12¾
(expressed in Canadian Dollars)	1975	21¼	13½	26	16¾	25½	21¼	28¼	24½
NEW YORK STOCK EXCHANGE	1974	35½	29½	31¾	18½	21¾	13¾	19¾	12¾
(expressed in U.S. Dollars)	1975	21	13¾	25½	16¾	24¾	20¾	28	24

Management's Analysis of the Summary of Operations

The following is an analysis of the Summary of Operations shown on the opposite page. Revenue from all sources was \$301,490,000 in 1975, an increase of \$56,751,000 or 23 per cent over 1974. Total revenue in 1974 was \$244,739,000, an increase of 40 per cent over 1973. Net earnings were \$57,267,000 in 1975, a 26 per cent increase over the \$45,395,000 reported in 1974.

Sales

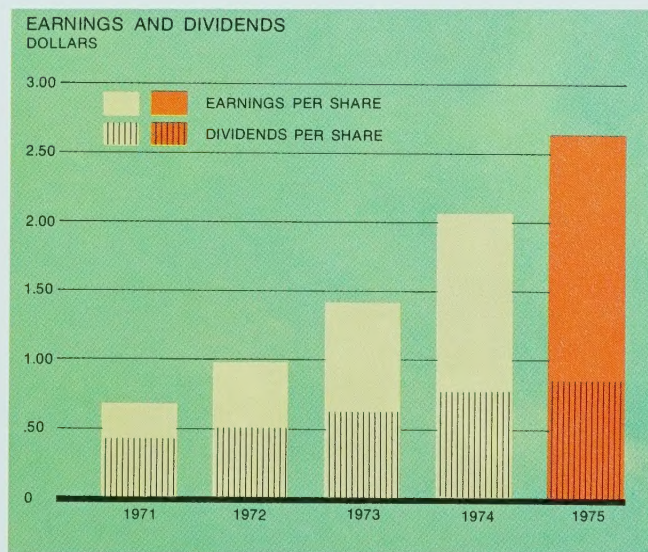
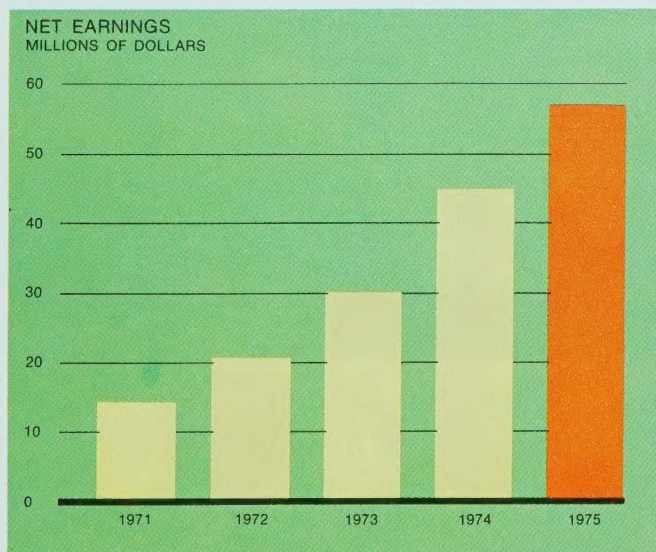
Increased prices for the Company's products contributed significantly to additional earnings in 1974 and 1975. The average price received by the Company, after royalties, for a barrel of crude oil was \$2.65 in 1973, \$3.74 in 1974, and \$4.49 in 1975. At the end of 1975, the Company was receiving, after royalties, an average of \$4.95 per barrel for crude oil in Canada. Crude oil production volumes decreased by 9 per cent in 1974, and by 15 per cent in 1975 due to sharply reduced exports to the United States and to a decline in producing capability. Effective July 1, 1975, the Canadian government authorized an increase in the price of crude oil, from \$6.50 to \$8.00 per barrel.

The average price received, after royalties, for natural gas increased from 12.8 cents per thousand cubic feet in 1973 to 20.0 cents in 1974, and to 29.1 cents in 1975. At the end of 1975, the Company was receiving, after royalties, an average of 39 cents per thousand cubic feet for natural gas. Natural gas production volumes decreased by 3 per cent in 1974, and by 7 per cent in 1975, due to a decline in productivity and to the effect in 1975 of

the reduction of the Company's share in production from certain properties subject to a net profits interest agreement. Under the terms of the agreement, the Company's ownership interest in production was reduced in the last quarter of 1975 upon the recovery of specified costs. The Company now receives an average \$1.03 per thousand cubic feet, before royalty, for the 148 million cubic feet of gas per day produced in Alberta. The average Crown royalty applicable to natural gas produced by Pacific in Alberta is 38 per cent.

In British Columbia, the Company produced an average of 330 million cubic feet per day of natural gas in 1975, 86 per cent of which is defined as Old Gas, or gas discovered or flowing prior to November 1, 1974. In late 1975, the price of Old Gas in British Columbia was increased from an average of 20 cents to 35 cents per thousand cubic feet on the condition that producers spend money on exploration and development projects within the province at the rate of 20 cents per thousand cubic feet. The price for New Gas, which is gas discovered subsequent to November 1, 1974, was increased to 55 cents per thousand cubic feet. The provincial government also reimburses to producers, a portion of the federal income tax attributed to natural gas income. Natural gas in British Columbia is free of royalty.

Prices for natural gas liquids advanced from an average of 7.7 cents per gallon in 1973 to 16 cents per gallon in 1974 and to 19.6 cents per gallon in 1975. The sales price for refined oil products on the average



increased by 27 per cent in 1974, and a further 35 per cent in 1975. All of these price changes reflect crude oil and natural gas price increases.

Other Income

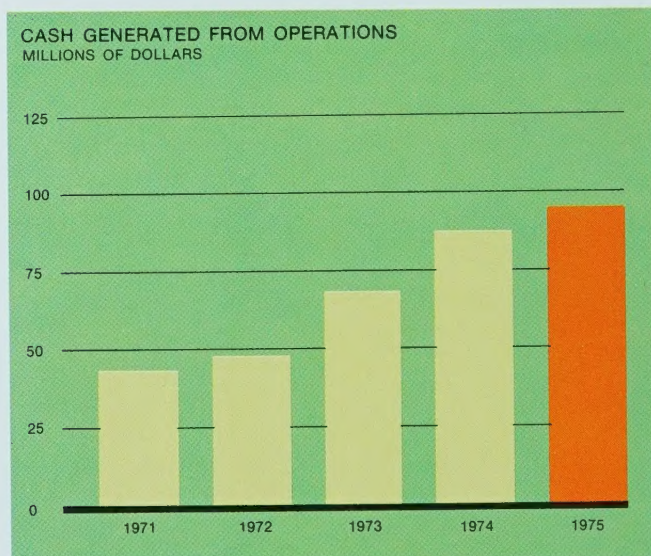
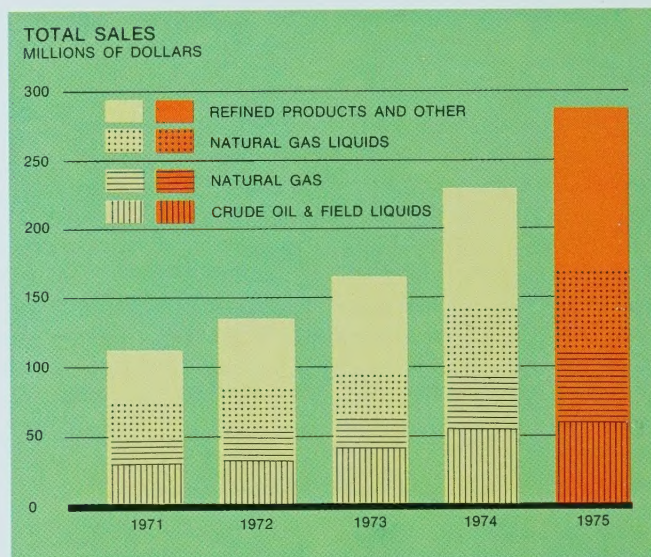
The Company's investment in short-term deposits rose from \$42 million at the end of 1973 to \$61 million at the end of 1974 but during 1975 declined to \$37 million. These changes, which were primarily a result of the Company's varying levels of capital spending and the payment of income taxes in 1975, caused investment income to vary from \$4.4 million in 1973 to \$7.3 million in 1974 and to \$5.4 million in 1975.

Pacific's equity share of the earnings of Westcoast Transmission Company Limited, increased from 26 per cent in 1973 to 30.5 per cent in 1974. Although Pacific's equity interest declined to 27.6 per cent during 1975, higher net earnings of Westcoast more than offset this reduction. Subsequent to the year end, the Company's acquisition of additional shares increased its equity interest in Westcoast to 34.6 per cent.

Expenses

Product and Merchandise Purchases refers to feedstock and other material used in the Company's operation. Unit costs of refined oil products increased by

40 per cent in 1974 and 37 per cent in 1975, as a result of increased crude oil and other feedstock costs and operating expenses. Costs of natural gas liquids produced increased by 90 per cent in 1974 and by 59 per cent in 1975 as a result of natural gas price increases.



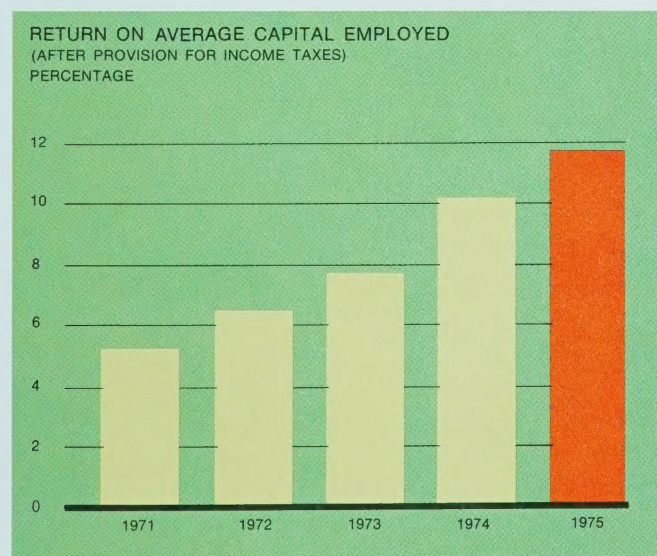
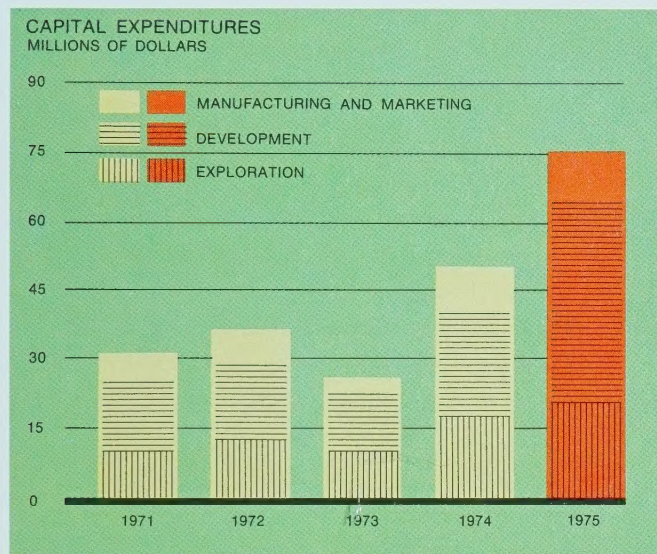
Operating and General Expenses increased by 15 per cent in 1974 and by 17 per cent in 1975, due to a combination of the inflation factor and an increased work load. Direct operating expense for crude oil production rose from 56 cents per barrel in 1973, to 65 cents in 1974,

and to 86 cents in 1975. Natural gas production expense increased from 2.3 cents per thousand cubic feet in 1973, to 3 cents in 1974, and to 4 cents in 1975

Depletion and Depreciation increased by 21 per cent in 1974, but declined slightly in 1975. An accelerated write-off of the Company's investment in certain properties, subject to a net profits interest agreement, was taken in 1974 and 1975 in anticipation of the Company's ownership interest in production from these properties reducing upon its full recovery of specified costs. Oil and natural gas production volumes declined in 1975, resulting in a lower depletion and depreciation charge. This was largely offset by a higher unit cost arising from increasing exploration and development investment.

Income Taxes

Provision for income taxes increased from \$16.4 million in 1973 to \$36.9 million in 1974 and to \$43.8 million in 1975. This represents net effective income tax rates of 35 per cent in 1973, 45 per cent in 1974 (the first year in which the Federal Government disallowed the deduction of Crown oil and gas royalties and other payments), and 43 per cent in 1975. Deductible expenditures carried forward from earlier years, which reduced taxes payable, have now been fully utilized with the result that \$24.4 million of the 1974 total tax provision and \$33.1 million of the 1975 provision have been paid.





Exploration and Production

Capital spending on exploratory acreage, seismic surveys, and exploratory drilling in 1975 totalled \$19.8 million, and spending on acquisition of producing properties, development drilling, gathering lines, and installation of production facilities totalled \$45.9 million.

Drilling

During 1975 Pacific participated in the drilling of 288 wells of which 193 were successful oil wells and 45 were completed as natural gas wells. The success ratio of all wells drilled in 1975 was 83 per cent compared with 48 per cent in 1974.

Acquisition and initial development of properties in the Kinsella area of east-central Alberta resulted in the higher level of Pacific's drilling activity in 1975. At year end, the company had drilled 117 successful oil wells in this area. When fully developed and placed on production, the Kinsella field is expected to produce 8,300 barrels per day of crude oil. Pacific's average share is 85 per cent before royalty.

DRILLING SUMMARY

	1975		1974	
	Gross	Net	Gross	Net
EXPLORATORY				
Oil	8	8	5	3
Gas	24	17	12	6
Dry	29	21	76	41
Total	61	46	93	50
DEVELOPMENT				
Oil	185	156	34	28
Gas	21	16	39	25
Dry	21	16	20	12
Total	227	188	93	65
TOTAL				
Oil	193	164	39	31
Gas	45	33	51	31
Dry	50	37	96	53
Total	288	234	186	115

The Company has continued a successful development program in the Ricinus district of Alberta's west-central foothills region, with the completion of four successful oil wells in 1975. Additional drilling is currently being conducted to fully evaluate and develop the Company's extensive land holdings in this area.

Pacific's exploration activity in northeastern British Columbia was limited during most of the 1975 drilling season due to unfavourable economic conditions. Increased wellhead prices for crude oil and natural gas, in addition to other incentives, made it possible for Pacific to begin a 35-well program in northeastern British Columbia during the 1975-76 winter drilling season.

Reserves

The Company's estimate of proved reserves at October 31, 1975 was 179 million barrels of crude oil and natural gas liquids, 3.2 trillion cubic feet of natural gas, and 2.4 million long tons of sulphur.

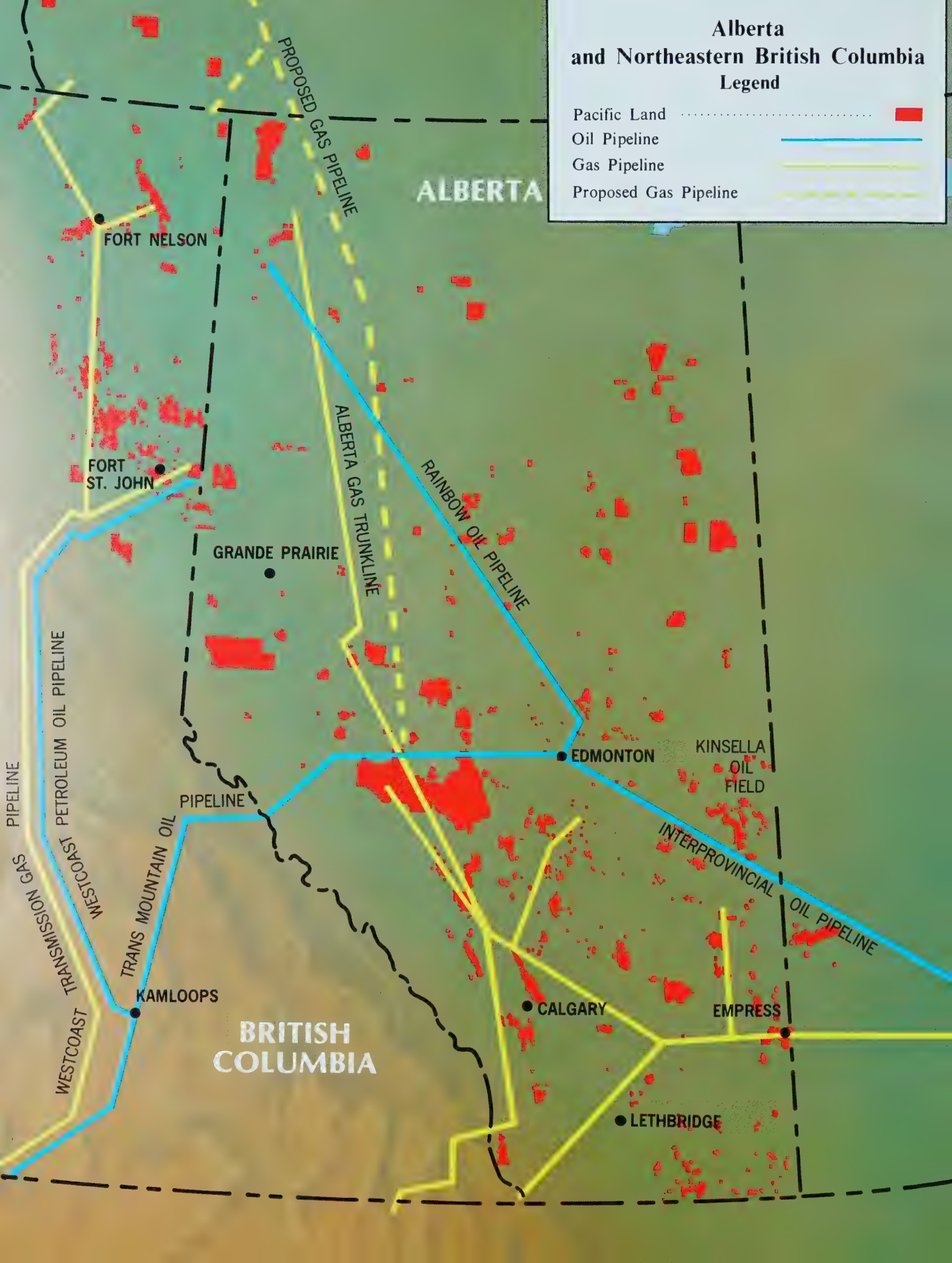
The Company expresses its reserve estimates as being net to the Company after every other deduction except Crown royalties. The estimates include only those reserves recoverable under existing economic and operating conditions and do not include reserves contained in untested zones or reserves available through enhanced recovery schemes where performance is not proved. Reserves delineated on the Company's properties in the Athabasca Oil Sands region and reserves identified in the heavy oil areas of northeastern Alberta are also excluded.

No reserve estimates are made for natural gas liquids recoverable from the natural gas stream processed at the Company's Empress Plant through contractual arrangements with TransCanada PipeLines Limited.

Winter drilling in the wilderness near Whitecourt, Alberta.

Alberta and Northeastern British Columbia Legend

- Pacific Land
- Oil Pipeline
- Gas Pipeline
- Proposed Gas Pipeline

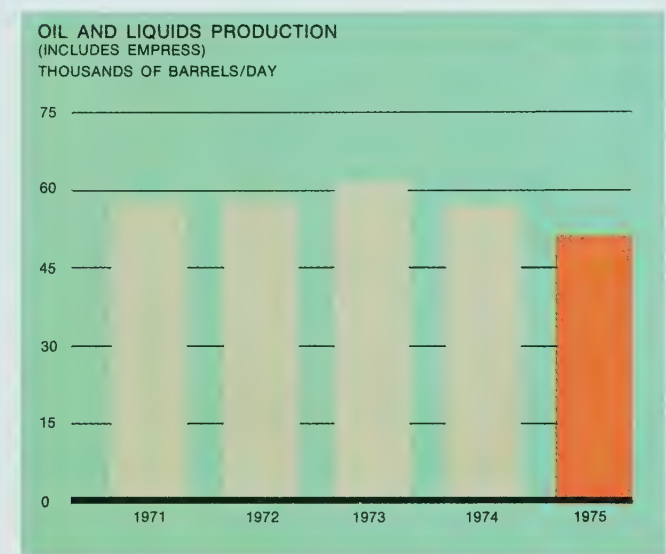
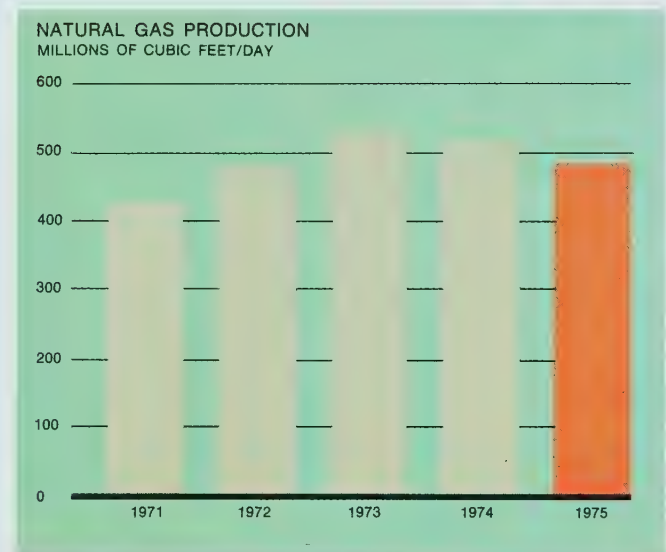


Production

An average of 52,050 barrels per day of crude oil and natural gas liquids, including 17,900 barrels per day of natural gas liquids from the Empress Plant, were produced during 1975. Average daily production of natural gas was 480 million cubic feet.

Production levels of crude oil and natural gas are lower than they were two years ago. Crude oil export quotas to the United States were sharply reduced and production in Alberta has been pro-rationed accordingly. In addition, reservoir production capacity in certain of the Company's older crude oil and natural gas fields has declined. It is expected that the Company's stepped-up exploration and production programs will increase reserves and production capacity.

The federal government policy restricting exports of crude oil to the United States will be partially relieved later in 1976 upon completion of the Sarnia to Montreal link of the Interprovincial pipeline system. This extension will have an initial capacity of 250,000 barrels per day.





Arctic Exploration

Pacific holds 5.8 million net acres in Northern Canada and the Arctic Islands. The Company is continuing with seismic evaluation programs on these lands.

Athabasca Oil Sands

Pacific is a 35.3 per cent participant in the Athabasca Oil Sands Project which is a consortium of four companies proposing to build a mining, extracting and processing plant to produce 122,500 barrels per day of synthetic crude oil on oil sands leases near Fort

McMurray, Alberta. The group is continuing with engineering studies to improve extraction and processing methods. Construction plans for the project have been deferred due to rapidly rising construction costs and uncertainty over government policies governing product prices, royalty payments, taxation, and access to markets.

Coal

In 1975, Pacific continued its program of acquiring coal leases, and now holds interests in 363,000 gross acres, amounting to 291,000 net acres of potential coal and mineral producing properties in Western Canada.

Foreign Exploration

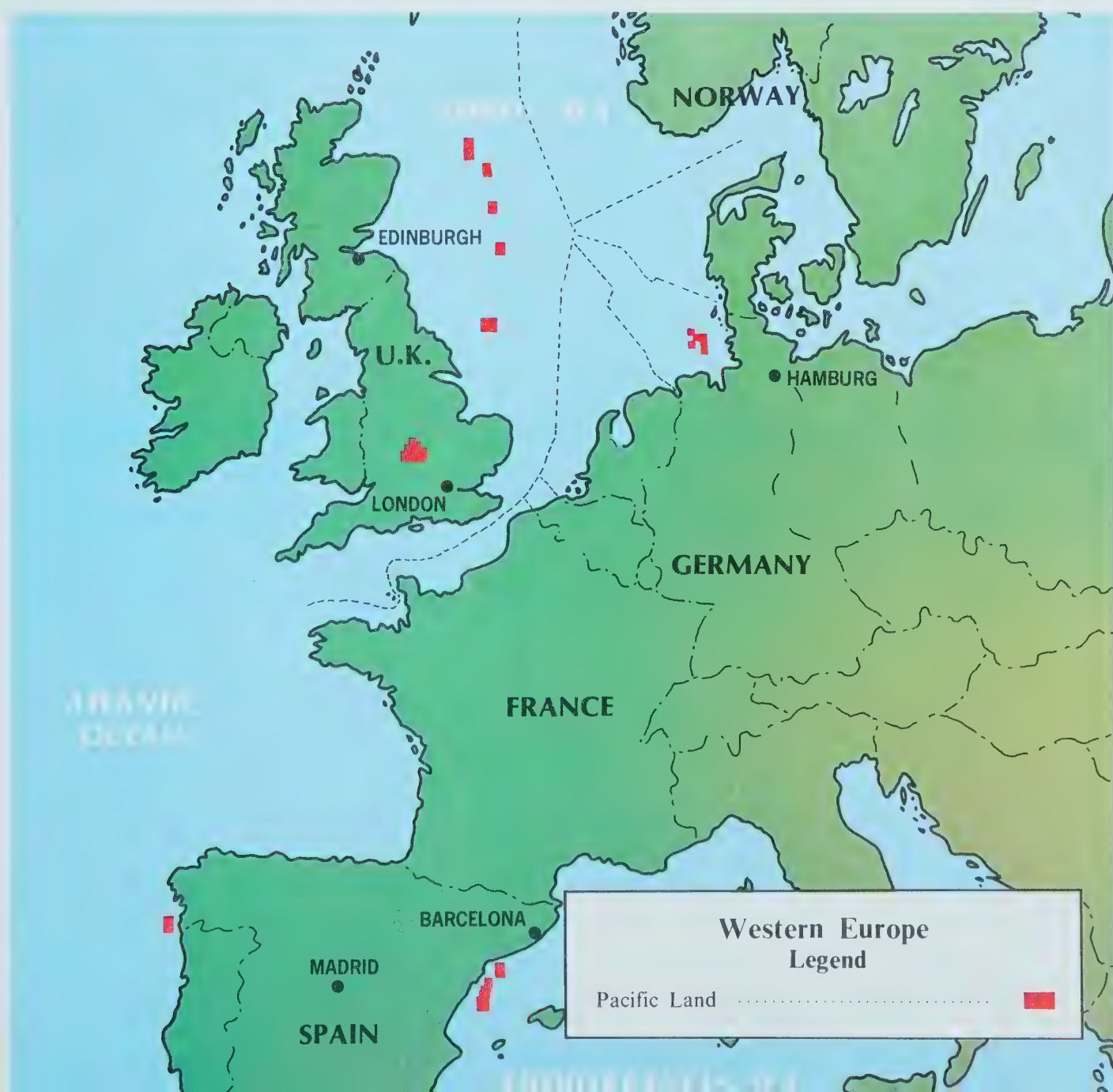
The Company entered the field of foreign exploration in 1975 with participation in five offshore wells in Western Europe.

A well drilled in the Mediterranean Sea, southwest of Barcelona, Spain, in which Pacific was a 12.5 per cent participant, was tested at 13,537 barrels per day of high quality sweet crude. Interests amounting to 10 per cent in blocks adjoining the discovery block have been recently acquired with a view to follow-up drilling. The Spanish government has the option right to a 40 per cent working interest. In the United Kingdom sector of the North Sea, Pacific participated in three exploratory wells, one of

which was a crude oil discovery, another a natural gas discovery and the other a dry hole. Results of these tests are sufficiently encouraging to warrant follow-up drilling.

Land Acquisition

Follow-up drilling for both crude oil and natural gas on recently acquired acreage is scheduled for 1976. Acreage has been acquired for development drilling following natural gas discoveries in Alberta, British Columbia, the North Sea, and the Mediterranean Sea. At year end the company's land holdings totalled 9,548,000 net acres, an increase of 729,000 net acres over the previous year end.





Summary

WESTERN CANADA

LEGEND

OIL PIPELINE	
GAS PIPELINE	
PROPOSED GAS PIPELINE	
LPG PIPELINE	
AREA OF EXPLORATION INTEREST	
MARKETING AREA	
PACIFIC PLANT	



BRITISH COLUMBIA

Revenue in (\$000,000's)

Crude Oil and Field Liquids	5.2
Natural Gas	24.6
Natural Gas Liquids	8.5
Refined Oil Products	48.1
Total	86.4

*Marketing Outlets	202
*Land Acreage	1,722,000 gross 1,024,000 net

ALBERTA

Revenue in (\$000,000's)

Crude Oil and Field Liquids	48.5
Natural Gas	26.2
Natural Gas Liquids	35.0
Refined Oil Products	39.3
Total	149.0

*Marketing Outlets	120
*Land Acreage	3,785,000 gross 2,295,000 net

SASKATCHEWAN

Revenue in (\$000,000's)

Crude Oil and Field Liquids	.8
Natural Gas	.1
Natural Gas Liquids	6.6
Refined Oil Products	11.7
Total	19.2

*Marketing Outlets	69
*Land Acreage	251,000 gross 164,000 net

MANITOBA

Revenue in (\$000,000's)

Natural Gas Liquids	6.5
Refined Oil Products	8.5
Total	15.0

*Marketing Outlets	41
*Land Acreage	62,000 gross 31,000 net

CANADA FEDERAL LANDS

Revenue in (\$000,000's)

Refined Oil Products	3.0
Total	3.0

*Marketing Outlets	11
*Land Acreage	13,909,000 gross 5,791,000 net

OTHER

Revenue in (\$000,000's)

Plastic Resins	6.0
Midland Industries Ltd.	3.8
Other	5.6
Total	15.4

*Marketing Outlets	10
*Land Acreage	1,347,000 gross 243,000 net

* As at December 31, 1975.



Manufacturing

Production volumes of refined oil products and natural gas liquids in 1975 remained approximately level with the previous year.

Crude Oil Refining

The Taylor, British Columbia refinery produced a daily average volume of 14,640 barrels of gasoline, distillates, and other petroleum products during 1975 from a daily average charge stock of 14,890 barrels per day. This compared with the 14,580 barrels per day averaged in 1974 from a daily average charge stock of 14,900 barrels per day. Upon the completion of a refinery expansion project, at the end of 1975, capacity at the Taylor Plant was increased 1,300 barrels per day. Additional air and water pollution control facilities, exceeding the standards required by regulatory authorities, were brought into operation in 1975, completing a three-year program at a cost of \$2 million.

Natural Gas Processing

The Empress, Alberta natural gas processing plant produced an average of 17,900 barrels per day of natural gas liquids compared with the 18,650 barrels per day recorded in 1974. While the volume of gas processed was essentially the same as in 1974, production of natural gas liquids was reduced due to there being a lower quantity of liquids in the natural gas stream entering the plant.

Natural gas liquids from the Empress Plant supply markets in Canada and the United States. Approximately 25 per cent of the production is distributed directly from the plant. The remainder of the production is transported through the Company's six-inch products pipeline which runs from Empress to Fort Whyte on the outskirts of Winnipeg, Manitoba. Six automated, self-serve truck loading points are situated along the pipeline, and rail loading terminals are located at Empress, Regina, and Fort Whyte.

Pipes in profile at the Empress natural gas liquids extraction plant.



C 66

RESTAURANT



Marketing

Revenue from the sale of natural gas liquids and refined oil products totalled \$170.4 million in 1975, an increase of \$41.7 million over the previous year. The increase was due to higher product prices arising from higher feedstock, processing and distribution costs.

Natural Gas Liquids

Revenue from the sale of natural gas liquids totalled \$58.7 million in 1975, an increase of 23 per cent over the \$47.9 million reported for 1974. Total sales volume in 1975 was 318 million gallons compared with 315 million gallons in 1974.

Refined Oil Products

Revenue generated from the sale of refined oil products totalled \$111.7 million in 1975, an increase of \$30.9 million over 1974. Sales volume reached a total of 290 million gallons. Price freezes imposed on industry by the federal government and some of the provincial governments limited the ability of the Company to recover increases in the cost of purchased products and crude oil feedstocks used in the refining process.

The Company introduced several combination self-serve gasoline and convenience grocery store outlets, and initiated a program to upgrade highway restaurant and service station complexes. Additional self-serve outlets are being built and unleaded gasoline facilities are being installed in response to market demand. New locations developed in 1975 bring the total at year end to 453 retail and wholesale outlets, an increase of 15 over 1974.

Other Sales

Midland Industries Limited, a manufacturer of injection and compression molded plastic products, reported total sales in 1975 of \$3.8 million. Midland is a wholly-owned subsidiary, situated at Midland, Ontario. Pacific Petroleums (Quebec) Ltd., a wholly-owned subsidiary and a national distributor of plastic resins and other petrochemical products, reported total sales in 1975 of \$6 million.

PACIFIC PETROLEUMS LTD.
and Subsidiary Companies

Consolidated Statement of Financial Position

December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Assets		
Current		
Cash	\$ 1,801,000	\$ 1,991,000
Term deposits	36,753,000	61,449,000
Accounts receivable	53,098,000	38,979,000
Inventories:		
Crude oil, refined products and merchandise	13,538,000	12,381,000
Material and supplies	3,445,000	4,954,000
	<u>108,635,000</u>	<u>119,754,000</u>
Investments (Note 2)		
Westcoast Transmission Company Limited — 2,954,267 shares (1974 — 2,649,367 shares) (quoted market value: 1975 — \$64,994,000; 1974 — \$48,351,000)	69,095,000	59,247,000
Other investments	10,888,000	10,465,000
Property, Plant and Equipment — Net (Note 3)	451,322,000	407,263,000
	<u>\$639,940,000</u>	<u>\$596,729,000</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 47,041,000	\$ 29,029,000
Income taxes payable	6,806,000	23,625,000
Debt due within one year	8,660,000	8,507,000
	<u>62,507,000</u>	<u>61,161,000</u>
Long Term Debt (Note 4)	124,519,000	133,741,000
Provision for Future Income Taxes	98,602,000	87,882,000
Shareholders' Equity		
Share capital (Note 5)		
Authorized — 30,000,000 shares — par value of \$1.00		
Issued — 21,338,817 shares (1974 — 21,330,684)	21,339,000	21,330,000
Paid-in surplus (Note 5)	209,174,000	209,014,000
Retained earnings	123,799,000	83,601,000
Total Shareholders' Equity	<u>354,312,000</u>	<u>313,945,000</u>
	<u>\$639,940,000</u>	<u>\$596,729,000</u>

See accompanying notes

On behalf of the Board:

Director

Alfred J. Lintell

Director

W. T. J. J. J.

Consolidated Statement of Operations

Years Ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Revenue		
Sales of crude oil, gas and refined products	\$288,040,000	\$229,950,000
Investment income	5,364,000	7,313,000
Equity in earnings of affiliates (Note 2)	8,086,000	7,476,000
	<u>301,490,000</u>	<u>244,739,000</u>
Expenses		
Product and merchandise purchases	108,504,000	77,321,000
Producing, refining and selling expenses	47,059,000	39,914,000
General and administrative expenses	6,570,000	5,730,000
Depletion	19,906,000	20,835,000
Depreciation	10,761,000	10,758,000
Interest on long term debt	7,629,000	7,885,000
	<u>200,429,000</u>	<u>162,443,000</u>
Earnings Before Income Taxes	<u>101,061,000</u>	<u>82,296,000</u>
Income Taxes		
Provision for income taxes payable	33,074,000	24,444,000
Provision for future income taxes	10,720,000	12,457,000
	<u>43,794,000</u>	<u>36,901,000</u>
Net Earnings (Note 2)	<u>\$ 57,267,000</u>	<u>\$ 45,395,000</u>
Net Earnings Per Share		
Basic	\$ 2.68	\$ 2.13
Fully diluted (Note 10)	2.56	2.05

Consolidated Statement of Retained Earnings

Years Ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Retained Earnings at beginning of year	\$ 83,601,000	\$54,204,000
Net Earnings for the year	57,267,000	45,395,000
	<u>140,868,000</u>	<u>99,599,000</u>
Dividends Paid		
(per share, 1975 — \$.80; 1974 — \$.75)	17,069,000	15,998,000
Retained Earnings at end of year	<u>\$123,799,000</u>	<u>\$83,601,000</u>

See accompanying notes.

PACIFIC PETROLEUMS LTD.
and Subsidiary Companies

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Source of Funds		
Operations:		
Net earnings for the year	\$ 57,267,000	\$ 45,395,000
Add expenses not requiring the outlay of cash:		
Depreciation, depletion and amortization	31,029,000	32,615,000
Provision for future income taxes	10,720,000	12,457,000
Less equity in earnings of affiliates net of dividends received	<u>3,239,000</u>	<u>4,031,000</u>
Cash generated from operations:		
(per share, 1975 — \$4.49; 1974 — \$4.05)	95,777,000	86,436,000
Issuance of shares	<u>169,000</u>	<u>241,000</u>
	<u>95,946,000</u>	<u>86,677,000</u>
Use of Funds		
Additions to property, plant and equipment	75,088,000	49,227,000
Reductions of long term debt	9,222,000	10,624,000
Payment of dividends	17,069,000	15,998,000
Acquisition of investments	<u>7,032,000</u>	<u>11,184,000</u>
	<u>108,411,000</u>	<u>87,033,000</u>
Decrease in Working Capital	<u>\$ 12,465,000</u>	<u>\$ 356,000</u>
Changes in Components of Working Capital		
Increase (decrease) in current assets		
Cash and term deposits	\$ (24,886,000)	\$ 19,042,000
Accounts receivable	14,119,000	7,626,000
Inventories	<u>(352,000)</u>	<u>9,864,000</u>
	<u>(11,119,000)</u>	<u>36,532,000</u>
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	18,165,000	13,263,000
Income taxes payable	<u>(16,819,000)</u>	<u>23,625,000</u>
	<u>1,346,000</u>	<u>36,888,000</u>
Decrease in Working Capital	<u>\$ 12,465,000</u>	<u>\$ 356,000</u>

See accompanying notes.

Summary of Significant Accounting Policies

Consolidation

Included in the consolidated statements are the accounts of Pacific Petroleum Ltd. and all of its subsidiaries. The excess of the consideration paid for the shares of subsidiaries over their net book value at dates of acquisition has been attributed to property, plant and equipment and is amortized over the estimated useful life of the related assets.

Inventories

Inventories of crude oil, refined products and merchandise are valued at the lower of average cost and net realizable value. Materials and supplies are valued at the lower of average cost and current replacement cost.

Investments

The equity method of accounting is followed for the Company's investments in Westcoast Transmission Company Limited and Pacific Northern Gas Ltd. Investments in other companies are carried at the lower of aggregate cost and market value with provisions for losses recorded when there has been a permanent reduction in value and with income recorded only when dividends are received.

Property, Plant and Equipment

The companies follow the full cost method of accounting wherein all costs related to exploration for and development of oil and gas reserves in North America are capitalized and depleted by a composite unit-of-production method based on total estimated recoverable reserves. Exploration and development costs incurred outside of North America are capitalized and, pending the establishment of economic production, are amortized at the annual rate of 20%.

Tangible assets and significant improvements are capitalized, and repair and maintenance costs are charged against income as incurred.

The interest cost of debt borrowed for the construction of major new plants is capitalized during the construction period and included in the plant costs for depreciation purposes.

Depreciation is provided on the unit-of-production and straight line methods at rates sufficient to amortize the major tangible assets of the Company over periods ranging from 20 to 35 years.

Foreign Exchange

Current assets and current liabilities are translated at the rate of exchange in effect at the close of the period. Long term assets and liabilities are translated at rates in effect at the date the assets were acquired or the obligations incurred. Revenue and expense items (with the exception of depletion and depreciation which reflect rates which were in effect when the assets were acquired) are translated at a weighted average of rates in effect during the year. The current portion of long term obligations which are payable in United States funds is converted to Canadian dollars based on the exchange rate in effect at the end of the period. The resulting gains or losses are included in operations.

Income Taxes

The companies account for income taxes by the tax allocation method, whereby income tax expense is determined as the amount that would be payable if statutory tax deductions for drilling, exploration and lease acquisition costs and for capital cost allowances did not exceed the related depletion and depreciation provisions charged against income. The excess of income tax expense over income tax actually payable is reported as Provision for Future Income Taxes.

PACIFIC PETROLEUMS LTD.
and Subsidiary Companies

Notes to Financial Statements

1. Subsidiaries

The subsidiaries of the Company, all of which are consolidated, are Aquilla Holdings Ltd., Asher American, Inc., Bailey Selburn Oil & Gas Ltd., Big Eagle Oil & Gas Ltd., G.M.I. Co. (Bahamas) Limited, Midland Industries Limited, Opal Oils Limited, Pacific Petroleum Española, S.A., Pacific Petroleum (Overseas) Limited, Pacific Petroleum (Quebec) Ltd., Pacific Petroleum (U.K.) Limited, Petroleum Transmission Company, Tri-Mountain Petroleum Ltd., Value Serve Stations Ltd., Venezuelan Canadian Oils, C.A., Venezuelan Pacific Petroleum, C.A. and Western Natural Gas Company Ltd.

2. Investments

During 1975 the Company purchased on the open market, 304,900 shares of Westcoast Transmission Company Limited, at a cost of \$6,752,000 and at December 31, 1975 owned 2,954,267 shares or 27.6% of the total outstanding shares. Westcoast has 4,111,552 shares reserved for issuance to holders of convertible securities and share purchase warrants at various prices between \$25.00 and \$31.20. If all of the reserved shares had been issued, the Company's interest in Westcoast would have been reduced to 20%.

At December 31, 1975, the value of the underlying net assets as shown on the financial statements of affiliates, which are accounted for by the equity method, was substantially the same as the carrying value of the Company's investment. Such affiliates follow the taxes payable method of accounting for income taxes in accordance with generally accepted accounting principles for certain utilities. If the tax allocation method was used by such affiliates, equity in earnings of affiliates and net earnings of the Company would be reduced by \$4,417,000 (\$.21 per share) in 1975 and by \$4,002,000 (\$.19 per share) in 1974.

Details of other investments are as follows:

	<u>1975</u>	<u>1974</u>
Marketable equity securities	\$ 2,280,000	\$ 2,141,000
(quoted market value: 1975 — \$2,575,000 1974 — \$1,625,000)		
Other investments, mortgages and advances	8,608,000	8,324,000
	<u>\$10,888,000</u>	<u>\$10,465,000</u>

3. Property, Plant and Equipment

	<u>1975</u>	<u>1974</u>
Investment at cost at December 31		
Crude oil and natural gas	\$589,443,000	\$532,965,000
Manufacturing	70,469,000	65,488,000
Transmission	10,531,000	10,523,000
Marketing	37,145,000	33,475,000
Other	10,817,000	11,359,000
	<u>718,405,000</u>	<u>653,810,000</u>
Depletion	187,474,000	174,648,000
Depreciation	79,609,000	71,899,000
	<u>267,083,000</u>	<u>246,547,000</u>
Property, plant and equipment — net	<u>\$451,322,000</u>	<u>\$407,263,000</u>

Unamortized interest cost which was capitalized in prior periods amounts to \$718,000 at December 31, 1975 (December 31, 1974 — \$770,000). During 1975 — \$52,000 (1974 — \$49,000) was amortized and included in depreciation.

Notes to Financial Statements (continued)

4. Long Term Debt

Long term debt due after one year consists of the following:

	Maturity Date		1975	1974
5% Subordinate Debentures	1977	\$ 4,148,000	\$ (4,324,000 U.S.)	\$ 4,323,000
5½% Secured Notes	1978	6,463,000	(6,000,000 U.S.)	9,694,000
6½% Secured Notes	1982	4,503,000	(4,177,000 U.S.)	5,365,000
5¼% Notes	1985	40,667,000	(37,700,000 U.S.)	44,874,000
6¼% - 6¾% Mortgages	1985	2,929,000		3,248,000
5¾% - 6¼% Mortgages	1988	6,731,000	(6,235,000 U.S.)	7,144,000
5% Convertible Subordinated Debentures	1992	59,078,000		59,093,000
		<u>\$124,519,000</u>		<u>\$133,741,000</u>

With the exception of the 5% Convertible Subordinated Debentures all of the above are subject to annual repayment or sinking fund provisions, which amount to approximately \$8,660,000 in 1976, \$12,800,000 in 1977, \$8,700,000 in 1978, \$5,700,000 in 1979, and \$5,700,000 in 1980. The 5% Convertible Subordinated Debentures are convertible into shares of the Company at the rate of 26 shares per \$1,000 principal amount until May 1, 1982, and are subject to sinking fund provisions commencing May 1, 1983.

5. Share Capital

	1975	1974
Consideration for shares issued during the year		
Credited to share capital (\$1.00 par value per share)	\$ 9,000	\$ 8,000
Credited to paid-in surplus	160,000	233,000
Total	<u>\$ 169,000</u>	<u>\$ 241,000</u>
Shares issued during the year		
To employees under share purchase plan	4,743	4,820
To directors, officers and employees upon exercise of options	3,000	3,000
Upon conversion of 5% Convertible Subordinated Debentures	390	
Total	<u>8,133</u>	<u>7,820</u>
Options granted during the year		
To directors, officers and employees	24,000	114,000
As part consideration for an interest in property	—	25,000
Options outstanding at December 31		
To directors, officers and employees, exercisable from time to time to November 5, 1985 — \$13.25 to \$33.50	196,700	178,100
Other, exercisable until June 30, 1976 at \$22.50 per share	25,000	25,000
Shares reserved at December 31		
Outstanding options	221,700	203,100
For conversion of 5% Convertible Subordinated Debentures	1,536,028	1,536,418
For issuance to Trustee for Employees' Thrift Plan	147,361	147,361
For granting of options to directors, officers and employees	232,756	9,099

6. Commitments and Contingencies

Various legal actions are in process involving the Company which are incidental to its business. While it is impossible to ascertain the outcome of these actions, it is anticipated that any amounts which may be required to be paid or any assets involved are not material in relation to the Company's total assets. Accordingly, no provision has been made in the accounts with respect to these actions.

Notes to Financial Statements (continued)

6. Commitments and Contingencies (continued)

The Company in the normal course of business has entered into long term agreements to lease marketing properties, tank cars and office space. Net rent expense amounted to \$1,640,000 (1974 — \$1,440,000) after the recovery of rent from others in the amount of \$1,540,000 (1974 — \$1,430,000). The leases have minimum rentals payable as follows: 1976 — \$3,400,000; 1977 — \$3,200,000; 1978 — \$3,100,000; 1979 — \$2,900,000; 1980 — \$2,700,000; 1981 to 1985 — \$11,100,000; 1986 to 1990 — \$4,000,000; 1991 to 1995 — \$2,800,000; thereafter \$200,000. Substantially all of the rent recovered from others is on a usage basis or under sub-leases with indefinite terms.

7. Government Controls

The Government of Canada introduced a program for the restraint of wages, prices, profits, and dividends, effective October 14, 1975. Petroleum and natural gas prices which are subject to the Petroleum Administration Act are exempt from the application of this program. The dividend restriction generally prohibits the payment before October 14, 1976 of a dividend at a rate higher than was established before October 14, 1975. The companies are conforming to guidelines issued in relation to these programs.

8. Conditional Oil and Gas Proceeds

In conjunction with revised gas prices and oil royalty rates in British Columbia effective November 1, 1975, a portion of the net proceeds on certain gas and oil production, amounting to \$2,150,000 in 1975, is receivable when and if certain specified exploration and development expenditures are incurred within the province. Of this amount \$495,000 became receivable in 1975 and is included in revenue.

9. Directors and Senior Officers' Remuneration

The total remuneration paid to the directors and senior officers of the Company, including all salaries, fees and contributions to pension funds, amounted to \$584,000 in 1975 and \$534,000 in 1974.

10. Earnings Per Share

Fully diluted earnings per share calculations assume the conversion of the convertible subordinated debentures and the exercise of share purchase options.

Auditors' Report

To the Shareholders of Pacific Petroleum Ltd.

We have examined the consolidated statement of financial position of Pacific Petroleum Ltd. and subsidiary companies as at December 31, 1975 and 1974 and the consolidated statements of operations, retained earnings and changes in financial position for the years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Pacific Petroleum Ltd. and subsidiary companies as at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis during the periods.

Calgary, Canada.
January 29, 1976.

CLARKSON, GORDON & CO.
Chartered Accountants.

Corporate Information

DIRECTORS

H. C. BENTALL

Chairman and Chief Executive Officer,
Dominion Construction Co. Ltd.,
Vancouver, British Columbia

H. C. BROOKBY

Executive Vice President,
Phillips Petroleum Company,
Bartlesville, Oklahoma

K. H. GIBSON

Chairman and Chief Executive Officer,
Westcoast Transmission Company Limited,
Vancouver, British Columbia

*A. M. McINTOSH

Executive Vice President,
Pacific Petroleums Ltd.,
Calgary, Alberta

C. F. MURPHY

Barrister and Solicitor,
Farris and Company,
Vancouver, British Columbia

*L. M. RASMUSSEN

President and Chief Executive Officer,
Pacific Petroleums Ltd.,
Calgary, Alberta

W. A. ROBERTS

Executive Vice President,
Phillips Petroleum Company,
Bartlesville, Oklahoma

*W. H. TYE

Senior Vice President,
Pacific Petroleums Ltd.,
Calgary, Alberta

C. W. WEBSTER

Vice-Chairman,
Canadian Fuel Marketers Ltd.,
Montreal, Quebec

*Member of Executive Committee

OFFICERS

L. MERRILL RASMUSSEN, President and Chief Executive Officer

A. M. McINTOSH, Executive Vice President

W. H. TYE, Senior Vice President

R. F. BUCHANAN, Vice President — Finance

G. W. LADE, Vice President, Secretary and General Counsel

V. G. SUNDSTROM, Vice President — Marketing

DEPARTMENT MANAGERS

F. A. BALDWIN

Treasurer

F. B. GRANT

Controller

S. D. LATHROP

Manager — Manufacturing

E. L. MOLNAR

Manager — Production

E. A. PAYNTER

Manager — Sales

J. C. SCOTT

Director — Offshore Exploration

W. SIDJAK

Manager — Special Projects

S. B. SMITH

Manager — Exploration

J. L. SNITH

Manager — Law Department and
Assistant Secretary

H. W. STEVENS

Manager — Employee Relations

D. M. WYLIE

Manager — LPG and Petroleum Supply

EXECUTIVE OFFICE

700 - 6th Avenue S.W.,
P.O. Box 6666,
Calgary, Alberta, Canada T2P 6T6
Telephone (403) 268-6666

RECORDS OFFICE

26th Floor, 700 West Georgia Street
Vancouver, British Columbia, Canada

REGISTERED OFFICE

15th Floor, 1333 West Georgia Street
Vancouver, British Columbia, Canada

EXCHANGE LISTINGS

New York, Toronto, Montreal, Vancouver,
Alberta and Pacific Stock Exchanges

TRANSFER AGENTS AND REGISTRARS

SHARES

National Trust Company, Limited (Registrar)
Vancouver, Calgary, Winnipeg, Toronto
and Montreal

Montreal Trust Company, (Transfer Agent)
Vancouver, Calgary, Winnipeg,
Toronto and Montreal

The Chase Manhattan Bank, N.A.
New York, New York

Bank of America National Trust
and Savings Association
Los Angeles, California

5% DEBENTURES — 1977

Canada Trust Company
Toronto and Vancouver
Bankers Trust Company
New York, New York

5% CONVERTIBLE

DEBENTURES — 1992

National Trust Company, Limited
Vancouver, Calgary, Winnipeg, Toronto
and Montreal

AUDITORS

Clarkson, Gordon & Co.,
Calgary, Alberta, Canada

PRINCIPAL SUBSIDIARIES AND AFFILIATES

Asher American, Inc.
Bailey Selburn Oil & Gas Ltd.
Midland Industries Limited
Opal Oils Limited
Pacific Northern Gas Ltd.
Pacific Petroleums Española, S.A.
Pacific Petroleums (Quebec) Ltd.
Pacific Petroleums (U.K.) Limited
Petroleum Transmission Company
Westcoast Transmission Company Limited
Western Natural Gas Company Ltd.

PACIFIC PETROLEUMS LTD.
and Subsidiary Companies

Five-Year Financial Report

(In Thousands of Dollars Except
Per Share Figures)

	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>
FINANCIAL OPERATIONS					
Total Revenue	\$301,490	\$244,739	\$174,792	\$144,445	\$117,180
Per Share	14.13	11.47	8.20	6.79	5.51
Cash Generated	95,777	86,436	68,322	49,765	42,483
Per Share	4.49	4.05	3.20	2.34	2.00
Net Earnings Before Income Taxes . .	101,061	82,296	46,557	31,198	23,848
Per Share	4.74	3.86	2.18	1.46	1.12
Net Earnings	57,267	45,395	30,188	20,942	14,865
Per Share	2.68	2.13	1.42	.98	.70
Dividends Paid	17,069	15,998	12,794	10,643	8,504
Per Share	.80	.75	.60	.50	.40
FINANCIAL POSITION					
Capital Employed					
Working Capital	\$ 46,128	\$ 58,593	\$ 58,949	\$ 38,151	\$ 5,607
Investments (Book Value)	79,983	69,712	55,326	44,889	31,910
Property, Plant & Equipment (Net) . .	451,322	407,263	389,823	397,972	386,279
Total Capital Employed	<u>\$577,433</u>	<u>\$535,568</u>	<u>\$504,098</u>	<u>\$481,012</u>	<u>\$423,796</u>
Return on Average Capital Employed	11.7%	10.2%	7.8%	6.5%	5.3%
Long Term Debt	\$124,519	\$133,741	\$144,365	\$155,200	\$118,786
Shareholders' Equity	354,312	313,945	284,308	266,012	254,810
Debt/Equity Ratio	26:74	30:70	34:66	37:63	32:68
CAPITAL EXPENDITURES					
Exploration	\$ 19,790	\$ 18,689	\$ 10,922	\$ 12,058	\$ 10,889
Development	45,851	23,338	11,221	16,996	15,024
Manufacturing	5,027	2,890	1,237	1,957	1,147
Marketing	4,420	4,310	3,258	4,175	3,694
Total	<u>\$ 75,088</u>	<u>\$ 49,227</u>	<u>\$ 26,638</u>	<u>\$ 35,186</u>	<u>\$ 30,754</u>

NOTE: In some instances figures for earlier years have been changed from those previously published to reflect subsequent changes in reporting practices.

Five-Year Operating Report

	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>
DAILY PRODUCTION					
Oil and Liquids Production from					
Oil and Gas Wells: Barrels (Gross)					
British Columbia	4,200	5,200	6,050	6,400	6,400
Alberta	27,950	31,600	33,050	30,500	28,300
Saskatchewan	500	750	1,000	850	600
Venezuela	<u>1,500</u>	<u>1,850</u>	<u>1,900</u>	<u>1,650</u>	<u>1,800</u>
Total	34,150	39,400	42,000	39,400	37,100
Liquids Production from					
Empress Plant: Barrels (Gross) . . .	17,900	18,650	19,100	19,300	21,300
Total Oil and Liquids					
Production	<u>52,050</u>	<u>58,050</u>	<u>61,100</u>	<u>58,700</u>	<u>58,400</u>
Natural Gas: Millions Cubic Feet (Gross)					
British Columbia	330	369	379	329	290
Alberta	148	147	150	145	134
Saskatchewan	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>
Total	<u>480</u>	<u>518</u>	<u>531</u>	<u>477</u>	<u>427</u>
LAND: (Thousands of Net Acres)					
Western Canada	3,514	3,407	3,433	3,851	4,051
Arctic, N.W.T., Yukon					
and Eastcoast	5,791	5,220	5,400	4,698	4,722
Foreign	<u>243</u>	<u>192</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>9,548</u>	<u>8,819</u>	<u>8,835</u>	<u>8,551</u>	<u>8,775</u>
MARKETING					
Sales Volumes: Millions of Gallons					
Gasoline & Distillates	290	288	264	254	203
Natural Gas Liquids	318	315	324	323	332
Marketing Outlets	453	438	440	436	417

NOTE: In some instances figures for earlier years have been changed from those previously published to reflect subsequent changes in reporting practices.



PACIFIC PETROLEUMS LTD.

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